5788828/2022/OP-I-AGC01

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Agriculture and Cooperation Department – Integration of PACS / DCCBs with RBKs for providing credit services to farmers – Orders – Issued.
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AGRICULTURE & COOPERATION (Agri.II) DEPARTMENT

G.O.Rt.No.252 Dated:25.04.2022

Read the following:

1. Minutes of the meeting dt.24.02.2022 of the Hon'ble Chief Minister of Andhra Pradesh State.
2. G.O.Rt.No.125, Agri. & Coop. (Coop-II) Dept., dt.01.03.2022.
3. Meeting of the Task force committee dated 28.03.2022.

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ORDER:

Dr. Y.S.R. Rythu Bharosa Kendra (RBK) is first of its kind initiative in the country by GoAP for providing "Seed to Sale" services at one place. Primary Agriculture Cooperative Society (PACS) is a basic level member driven institution in the 3 tier Co-operative Credit Structure extending Crop Credit services to the farmers. The integration of two grass root level institutions of Government agri-extension and credit structure i.e. RBK and PACS will enable greater financial inclusion wherein RBKs extend Agri input requirements and PACS can extend timely farm credit to farmers.

2. In order to strengthen farm credit service to farmers by integrating the PACS / DCCBs with the RBKs, a Task Force Committee was constituted vide reference 2nd read above for preparing a plan of action with the constituents/parameters on Integration of Institutions, Integration Plan on mapping of RBKs with PACS / DCCBs and SoP to facilitate farm credit to farmers and in particular to the tenant farmers through RBKs-PACS integration.

3. The Task Force Committee has given report covering the aspects of

i.RBK–PACS Integration.

ii. SOP for providing financial services at RBKs

iii. SOP for constitution of JLG of tenant farmers and extending farm credit to tenant farmers.

4. After careful consideration of all facts, the SoPs for integration of PACS & RBKs for farm credit delivery to farmers and particularly to tenant farmers will be as below.

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SOP for providing credit to the farmers and particularly the tenant farmers will be as follows:

PACS will be mapped with RBKs based on geographical continuity. The Banking Correspondents in RBKs will act as micro branches of PACS.

Credit services :
RBKs

- Banking correspondents in RBKs will identify farmers who have not availed credit from institutional sources, from the data base of farmers registered on E-Crop portal. Information on Survey no, extent, crop details, varietal information will also be given.

- A simple loan application for crop loans shall be designed by the APCOB & DCCB and be given to RBK/ PACS. Banking Correspondents at RBK will collect loan applications from farmers give an acknowledgement to farmer and send the applications to the PACS.

- RBK shall attach e-crop details of that particular land. The cropping data from the e-crop portal shall form the basis of fresh crop loans. Any crop diversification can be recorded and shall also help in ascertaining the exact cropping pattern by July end.

- Banking Correspondents at RBK shall authenticate the KYC (verifying with originals) and other documents, with their signatures as per banking norms. Modalities for authentication should be circulated by APCOB & DCCBs. The above set of documents i.e., application, KYC and land/ownership details (1B and Adangal) along with e-crop details of that land are to be forwarded to concerned PACS by the Banking Correspondent by further processing of loans.

- Banking Correspondents at RBK shall forward complete set of documents to PACS within 3 days from the date of receipt loan application from farmers.

- Banking Correspondents at RBK shall maintain the data relating to loaning by all banks to farmers listed on the e-crop portal.

PACS

> PACS after duly verifying the documents (application, KYC, land) forwarded by Banking Correspondent at RBKs will acknowledge the receipt of same to Banking Correspondent at RBKs.

> PACS will process the application as per the prescribed scrutiny note on criteria mentioned hereunder:

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- Loan requirement is as per the guidelines issued by respective banks
- Verify in Web Land portal, for mortgage and hypothecation, if any, on the given land.
- Verify credit history of the farmer in CIBIL, if available.
- Arrive at amount eligible as per e-crop and land extent

> Based on eligibility criteria, PACS shall sanction and release the loan to concerned farmer

> The sanction of loan by PACS, is to be communicated to farmer within six working days (3+3) from the date of receipt of application from farmer, under intimation to concerned RBK.

> The PACS shall ensure that the required guidelines issued by RBI are complied before sanction and release of crop loans.

This approach can help in ensuring crop loans to all cultivators, avoiding duplication, ensuring proper utilization of interest subvention / prompt repayment incentive etc. Further, tenant farmers can be provided the much needed credit and support services.

JLG of Tenant Farmers

Identifying tenant farmers at RBK level from E Crop data base and extending credit through PACS/DCCBs and other banks in JLG mode will achieve the object of providing adequate and timely credit to farmers especially to tenant farmers.

JLG Financing

JLG serves as an important tool for augmenting flow of credit to landless farmers cultivating land as tenant farmers, oral lessees, share croppers and small/marginal farmers and other poor individuals for taking up farm, off farm and non-farm activities. Though extending bank loans through Joint Liability Groups (JLGs) has proved to be a successful initiative for purveying collateral free credit through the banking system in the rural areas, flow of credit to the landless poor, tenant farmers, small/marginal farmers is still inadequate.

JLGs serve as collateral substitute for loans to be provided to the target group. This approach also build mutual trust and confidence between bank and the target group. Further JLGs also minimize the risks in the loan portfolio for the banks through group approach, cluster approach, peer education and credit discipline.

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General features of JLG

- An informal group comprising of 4-10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee.
- Generally, the members of a JLG would engage in a similar type of economic activity.
- The members would offer a joint undertaking to the PACS/bank to enable them to avail loans.
- JLG members are expected to provide support to each other in carrying out occupational and social activities.

Criteria for selection of JLG members

JLGs can be formed primarily consisting of tenant farmers and small farmers cultivating land without possessing proper title of their land.

- Members should be of similar socio economic status and background carrying out farming activities and who agree to function as a joint liability group.
- The groups must be organized by the likeminded farmers and not imposed by the bank or others.
- The members should be residing in the same village/ area and should know and trust each other well enough to take up joint liability for group/ individual loans.
- The members should be engaged in agricultural activity for a continuous period of not less than 1 year within the area of operations of the bank branch.
- The group members should not be a defaulter to any other formal financial institution.
- JLG should not be formed with members of the same family and more than one person from the same family should not be included in the JLG.

Formation of JLGs

- RBKs with the help of Village Agriculture Assistant shall identify the landless tenant farmers / small farmers
- Based on the eligibility criteria and features suggested above, the JLGs are formed by VAA

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- On formation of JLGs, the PACS / bank branches need to discuss with the JLG members the bank's regulations, lending procedures, services etc. The principles of self-help and group strength need to be emphasized. Group cohesion has to be ensured. Adequate emphasis should be placed on the roles, expectations and functions of the group/members & the benefits of group dynamics.

- The loaning process shall be as per the SOP suggested for crop loaning.

Size of the JLG

The group should be formed preferably with 4 to 10 members to enable the group members to offer mutual guarantee.

Incentive for promotion of JLGs

NABARD will a provide grant assistance to lending institutions for formation, nurturing and financing of new JLGs @ Rs.4,000 per JLG. The incentive will be available to the PACS / bank branches even if they use their own staff or BC/BF or RBK as their JLPI. The incentive shall be linked with the financing of the JLGs. The incentive amount shall be released in three installments as indicated below on prior sanction from NABARD for promotion of JLGs.

- **First installment** of Rs.2,000/- will be released for JLG Promotion and Credit linkage i.e. after disbursement of loan by the bank to the JLG.
- **Second installment** of Rs.1000/- will be released after one year from the date of loan disbursement subject to the certification by the financing bank that the loan repayment is regular / without default by all the individual members of the JLG.
- **Third installment** of Rs.1000/- will be released after the end of second year from the date of loan disbursement subject to similar certification from financing bank as above. In case of short term loans / KCC / GCC, it will be available if the facility has been renewed by the bank during the year and is regular.

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JLG Financing Model

- Each member of the JLG should be provided an individual KCC / GCC or term loan.
- PACS / Bank branches assess the credit requirement, based on the crop to be cultivated, available cultivable land /activity to be undertaken and the credit absorption capacity of the individual.
- Similar assessment of credit need will be done in case of off-farm activities like dairy, poultry, etc. and nonfarm activities.
- All members would jointly execute a loan document, making each one jointly and severally liable for repayment of all loans taken by all individuals belonging to the group.
- The mutual agreement needs to ensure consensus among all members about the amount of individual debt liability that will be created including liability created out of the individual KCC.
- Any member opting out of group or joining the group, will necessitate a new loan agreement, to be kept on record in the bank branch.

Credit Assessment

The JLG would prepare a credit plan for its individual members and an aggregate of that is submitted to the bank. The individual members of JLG would be eligible for bank loan after the bank verifies the individual members' credentials.

Rating Tool

PACS / Bank branches will conduct a thorough credit appraisal to avoid under or over-financing. Assessment tools is adopted by the Bank for the purpose of rating of JLGs as suggested by NABARD, is furnished in Appendix-I.

Purposes of credit

The finance to JLG is expected to be a credit addressing the credit requirements of its members crop production.

Type of loan

JLGs shall be offered cash credit, short-term loan or term loan depending upon the purpose of loan.

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Loan limit

Basing on the scales of Finance of each crop to be cultivated, the limit/loan to be granted is against the mutual guarantee offered by the group, maximum amount of loan may be restricted to Rs. 1,00,000 per individual for agriculture, its allied activities and non-agriculture purposes.

Margin and Security Norms

No collaterals are insisted upon by the PACS/DCCBs / banks against their loans to JLGs. It may however, be ensured that the mutual guarantees offered by the JLG members are kept on record. Margin as per the usual norms may be applied.

Monitoring and Review:

- The JLGs through peer pressure ensure loan utilization and timely repayment. The bank may hold all members liable in case of default.
- The staff are expected to maintain harmonious relations and continuous close contact and relationship with the JLG leader and other members so as to convert them into good reliable customers of the bank. Maintenance of good credit history by the JLGs will gradually lead to lowering of the bank's own transaction costs in terms of intensity of appraisal and monitoring.
- The Banks shall ensure proper maintenance of the books of accounts and records as prescribed by APCOB/NABARD/SLBC from time to time.

Considering the priorities being attached by Government of AP in financing landless farmers' groups through JLG mode of financing, banks may closely monitor the progress regularly at various levels.

As CCRC holders and other tenant farmers are being formed into JLGs by Village Agriculture Assistant, each JLG shall have an unique number depicting the RBK where it was formed. Further, the implementation of JLGs to be overseen by a committee comprising of Commissioner Agriculture, CC&RCS, MD, APCOB, CGM, NABARD with Additional Registrar, o/o RCS as convenor. Further, Additional Registrar o/o RCS, shall be monitoring the progress on a regular basis.

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Appendix-I

Rating Norms for financing JLGs Suggested by NABARD

Sl. No.	Parameter	Means of Measurement	Maximum Mark per Parameter	Performance	Value (Marks)	Marks obtained
1	Group Size and composition of group	Interview with the group	3	Size -4 to 10 members	1	
				Homogeneous (Similar economic condition / livelihoods)	1	
				Located with close proximity to each other	1	
2	Availability of support from specific agency / association@	Discussion with the group	1	Support available and screening of individual members done before formation of JLGs	1	
3	Knowledge of JLG functioning or has received training on JLGs	Interaction with group members / profile of members / promoter JLGPI*	1	Received training on JLG functioning / has knowledge about JLG	1	
4	Potential for proposed activity and skills of the group members	Interaction with the group	2	Activities have potential and members have adequate skills	2	
				Activities have potential but members do not have adequate skill	1	
5	Viability of investment to be made by JLG / members	Interaction with the group	2	Proposed investment financially viable	2	
6	Monitoring by volunteers in JLGs or through BF / BC or JLGPI * after credit linkage with bank	Discussion with banker	1	Available	1	
Total			**10**			

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Note: JLGs scoring 6 out of 10 marks will be eligible for Credit linkage.

@ Initial client level Screening is done by association / bodies to which JLG members are likely to be associated viz. petty traders' association, fish farmers' association, farmers' club, producers' organization, other interest groups, etc. * JLGPI : Joint Liability Group Promoting Institutions

5. The Commissioner of Agriculture, Andhra Pradesh, Guntur and the Commissioner for Cooperation & Registrar of Cooperation Society, Andhra Pradesh, Guntur shall take necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

POONAM MALAKONDAIAH, I.A.S.,
CHIEF COMMISSIONER RBKs &
SPECIAL CHIEF SECRETARY TO GOVERNMENT

To
The Commissioner for Cooperation & Registrar of Cooperative Societies, A.P., 11th Line, Syamalanagar, GUNTUR-522006.
The Commissioner and Director of Agriculture, Andhra Pradesh, Guntur.
Copy to:
The Chief Commissioner, Rythu Bharosa Kendras (RBKs) & Special Chief Secretary to Government, A & C Dept., AH, DD & Fisheries Dept., & (Sugar) Industries and Commerce Dept.(FAC). A.P., Amaravati.
The Prl. Secretary to Government (Mktg. & Coop.), A & C Dept., A.P., Amaravati.
The Principal Finance Secretary, Finance Dept., A.P., Amaravati.
The Commissioner & Director of Agrl. Marketing Department, A.P., Guntur.
The Chief General Manager, NABARD, APRO, Hyderabad.
The Convener of SLBC.
The Managing Director, APCOB, Vijayawada.
P.S. to Hon'ble Minister (Agrl. & Coop.) for information
E.A. to Chief Secretary to Government for information.
SF/SC.

//FORWARDED::BY ORDER//

SECTION OFFICER

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